

RESTRICTED APPRAISAL REPORT

Proposed Land Banking Sale
Part of Section 12, T9N-R3W, Near Montana City
Jefferson County, Montana
June 22, 2005

Prepared for:
State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
Real Estate Management Bureau
1625 11th Avenue
Helena, MT 59620

Prepared by:
Thomas J. Konency, Appraiser
State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
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1625 11th Avenue
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CLIENT

State of Montana, Department of Natural Resources and Conservation (DNRC)

INTENDED USERS

DNRC Real Estate Management Bureau staff, and Central Land Office staff.

INTENDED USE

The intended use is to provide DNRC with the information to make an administrative determination of the minimum bid price for the auction sale of a 160-acre parcel of State Trust Land.

USE RESTRICTION

This report is limited to the client and intended users identified in this report. The appraiser's opinion and conclusions set forth in the report may not be understood fully without additional information in the appraiser's work file.

SCOPE OF APPRAISAL

The scope of the appraisal involved inspecting and gathering pertinent data concerning the subject property and adjacent lands, analyzing the highest and best use of the subject property, gathering market information about property sales similar in nature to those of the subject, and applying the market data (sales comparison approach) to arrive at an opinion of current fair market value. Subject initially inspected on May 6, then again on June 22, 2005.

DEFINITIONS

Current fair market value. (MCA 70-30-313) Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and
- (3) any other relevant factors as to which evidence is offered.

Easement. An interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right-of-way easements may be acquired by private parties or public utilities.

Highest and best use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Date of Inspection and Effective Date of Valuation:

June 22, 2005

Type of Report

Complete appraisal – restricted report

Property Rights Appraised

Fee simple interest

Statement of Highest and Best Use

Although the subject is currently leased for grazing, the highest and best use of the subject property is as a residential site(s). This is based on legal, physical and economic factors in regards to the subject. (Purportedly the subject would need a zoning change for development. Considering the proximity to the urban areas and other development in the immediate area, this zoning change is not expected to be a major obstacle.)

Approaches to Value

The market data approach was the only approach applicable to this assignment. There are no building improvements; consequently, the cost approach to value was not used. The income capitalization approach was not applicable.

Subject Property & Area Description

The legal description for the subject property is: The East ½ of the West ½ of Section 12, Township 9 North, Range 3 West, Jefferson County, Montana.

Per TLMS, the subject property is approximately 160 acres. The subject consists of native grassland and a small rock quarry site. The terrain has some rolling areas and some more level areas. Elevation varies from about 3,990 feet to 4,300 feet. The views from the site are generally average to good.

The subject is located just northeast of Montana City, about three southeast of Helena, and two miles south of East Helena. As shown by the general location map, the private properties surrounding the subject, which consist mostly of agricultural land and residential sites, range in size from just a an acre to entire sections. Other state and federal parcels are also in the area. Except for a few “home” businesses and the Ash Grove Cement Company plant, the fully developed commercial parcels are located either in Montana City or closer to Helena and East Helena. While the subject property is currently leased for agricultural use, the trend in the subject’s market area is towards development into residential sites.

In visiting the subject property, it appears there is access to the subject from a public road. It also appears that both electric and phone service are either on the property or close by.

Subject Property Market

Montana City and the Helena Valley Area in general, have seen a strong real estate market due to growth and demand. While no published information about property value changes for northern Jefferson County was found, there are some policy/study papers out there that indicate the growth and demand will continue for the foreseeable future. For example, Lewis and Clark County is projected to see a 14% population increase between 2000 and 2010. According to studies of larger regional markets, overall demand is expected to remain fairly high. As such the location of the subject should mean that this would indeed be a desirable property for residential development.

Market Data Approach

The search for comparable sales encompassed the northern Jefferson County and Helena Valley areas. This would include the area from rural Helena to Canyon Ferry to Townsend to Jefferson City and then back to Helena. Several real estate offices, the local MLS system, the cadastral system including its aerial photos, a local seller, and a knowledgeable appraiser in the area were all utilized. Within the market area, eight sales of approximately 50 acres to 627 acres were found. These eight sales, with information supplied by the various sources noted above, were all relied upon to form an opinion of current fair market value. (Eight current listings also located in the subject's market area were all "reviewed" as a "check" on the logic used and opinion formed in this report. Those listings ranged from 71 acres to 160 acres in size.)

All of the comparable sales were compared to the subject property on the basis of price per acre. This, according to area appraisers and real estate brokers/agents, is the typical unit of measurement by which buyers and sellers express value of this type of property in the market area. The comparable sales were analyzed for Property Rights Conveyed, Financing and/or Conditions of Sale, Location, Date of Sale (a time factor), Size, Access & Utilities and Land Features. The comparable sales are summarized on page 6. On page 7 is a Comparable Sales Adjustment Table. Matched pairs, when available, were used to provide indicated adjustment amounts for some characteristics, while for others, adjustments were based on opinions provided or general trends found.

Property Rights Conveyed:

The subject property is appraised in fee simple interest. As all of the comparable sales sold on the basis of fee simple interest, no adjustments were made to the comparable sales for property rights conveyed and this criterion has not been included in the adjustment table.

Financing/Conditions of Sale:

All of the comparable sales sold for cash or on terms equivalent to cash. (The market value opinion in this report is also based on cash or terms equivalent to cash.) Per the seller of Comparable Sale No. 4, if the property had been listed and/or marketed in a typical manner a higher price would probably have resulted. No further specific details were provided. (It *appears* the buyer approached the seller and some time had past between when the deal was originally struck and when the transaction actually closed.) Thus Comparable Sale No. 4 was adjusted in the adjustment table reflective of the seller's opinion.

Location:

All of the comparable sales are located in the subject's market area. Comparing the comparable sales with each other indicates no real difference due specifically to location and none is apparent to exist between most of the comparables and the subject. However, as Comparable Sale No. 2 does have a much greater potential for some commercial development, a location adjustment has been applied to that comparable estimated to be relative of the percentage of commercial ground that Comparable Sale No. 2 contains.

Date of Sale:

The comparable sales occurred between October 2003 and March 2005. Review of the comparable sales with each other does not provide clear evidence of a specific adjustment for time. Rather the sales show an overall increase in value over time. This is reflective of what the general real estate market has been doing. Based on information contained in appraisals in other market areas, there is strong support for minimal value increases of approximately 7% per year compounded. The adjustments have been applied to the comparables, calculated as a single percentage figure, as shown in the adjustment table.

Size:

The comparable sales range in size from 50 acres to 627 acres. Generally it is believed that smaller parcels sell for higher prices per acre, (although larger parcels can also give more flexibility in development or may have a demand based on minimum needed size). Review of the sales indicates support for this premise. In fact Comparable Sale No.'s 1 & 3 do provide a matched pair, although the acreage difference is rather large, which results in a large adjustment. Therefore, this size adjustment has been paired with a factor amount and then applied to the comparable sales, i.e., 10% for twice the acreage size, 15% for three times the acres, 20% for four times the size, etc.

Access & Utilities:

The subject and all the comparable sales except Comp Sale No.5 have relatively good access and all the properties had utilities on site or close by. Comp Sale No. 5 has the poorest access. There does not appear to be any evidence to support an adjustment for this limited difference, thus no adjustment has been made for access & utilities and this criterion has not been included in the adjustment table.

Land Features:

This category includes the amount of timber or water, if any, on a parcel, general topography and elevation, and/or view. Generally, these influences can be hard to quantify. However review of the sales finds one generally matched pair showing the difference between partially wooded and open land. Comparable Sale No. 1 and Comparable Sale No. 5 sold within about two month's time and are only five acres different in size and generally appear similar except for the wooded ground. There is approximately 20% difference between the two sales. This adjustment also appears supported when comparing Comparable Sale No. 6 with Comparable Sale No. 7, although this comparison may not be as clear-cut. Thus using this rate, adjustments were made to the appropriate comparables as shown on the adjustment table.

Final Reconciliation

To restate and summarize, Financing/Conditions of Sale, Location, Date of Sale, Size and Land Features have all been considered and the comparables have been adjusted accordingly. While considered, no adjustments were made to the comparable sales for Property Rights Conveyed or Access & Utilities.

On an adjusted basis the comparable sales range from a low of \$2,674/acre (Comparable Sale No. 2) to a high of \$3,932 /acre (Comparable Sale No. 3). For this report, all the comparables were relied upon to form an opinion of value. However based on the subject's general characteristics, proximity and date of sale, Comparable Sale No.'s 1 & 4 were weighted more. Thus, the indicated price per acre is \$3,100.

Therefore, 160 acres X \$3,100 per acre = \$496,000.

The purpose of this appraisal report is to provide an opinion of market value of the real property that is the subject of this report based on the market value definition, assumptions and limiting conditions, certification, and any other conditions included in or attached to this report. Further, it is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the report is signed. As such, it is my opinion that as of June 22, 2005, the current fair market value of the subject property is \$496,000.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: July 14, 2005

Comparable Sales Data Summary

Comparable Sale No. 1: Approximately 313.73 acres of vacant grazing land, located in Sec. 11, T10N-R4W, Lewis and Clark County, MT. Located just north of the Helena city limits, this parcel was purchased for subdivision purposes. Forty acres is to be developed with the grantee, for the grantee. Per broker, sold 1/7/05 for \$885,000.

Comparable Sale No. 2: Approximately 627.17 acres of vacant crop and grazing land, located in Sec. 35, T10N-R3W, Lewis and Clark County, MT. Located just east of the Helena city limits, this parcel was purchased for subdivision purposes. The parcel has highway frontage road access. Per appraiser, sold 10/16/03 for \$1,375,000.

Comparable Sale No. 3: Approximately 50 acres of vacant cropland, located in Sec. 25, T10N-R2W, Lewis and Clark County, MT. The parcel is located about 7 miles east of Helena. Per broker, sold 2/11/05 for \$226,000.

Comparable Sale No. 4: Approximately 564 acres of vacant crop and grazing land, located in Sec. 1, T9N-R3W, Jefferson County, MT and Lewis and Clark County, MT and Sec. 2, T9N-R3W, & Sec. 6, T9N-R2W, Jefferson County, MT. Located just southeast of Helena, this parcel was purchased for subdivision purposes. Per seller, sold 2/11/05 for \$2,250 per acre. Seller's opinion of purchase price stated in report and adjusted for in table.

Comparable Sale No. 5: Approximately 318 acres of partially wooded land, along with an older home and some other improvements. Located in Sec.'s 19 & 30, T9N-R3W, Jefferson County, MT. Located a few miles west-southwest of Montana City. Per broker, sold 3/15/05 for \$1,200,000. Broker's opinion of improvements value stated in report and adjusted for in table.

Comparable Sale No. 6: Approximately 100 acres of vacant, partially wooded land, located in Sec. 10, T8N-R3W, Jefferson County, MT. Located just a couple miles southeast of Clancy. Per MLS, sold 10/7/03 for \$350,000.

Comparable Sale No. 7: Approximately 87 acres of vary lightly wooded land, along with a garage/cabin with well & septic. Located in Sec.20, T8N-R3W, Jefferson County, MT. Located a couple miles northwest of Jefferson City. Per broker, sold 10/3/03 for \$295,000. Broker's opinion of improvements value stated in report and adjusted for in table.

Comparable Sale No. 8: Approximately 109 acres of vacant cropland, located in Sec.16, T7N-R2W, Broadwater County, MT. Located a couple miles northeast of Townsend. Per MLS, sold 2/13/04 for \$320,000.

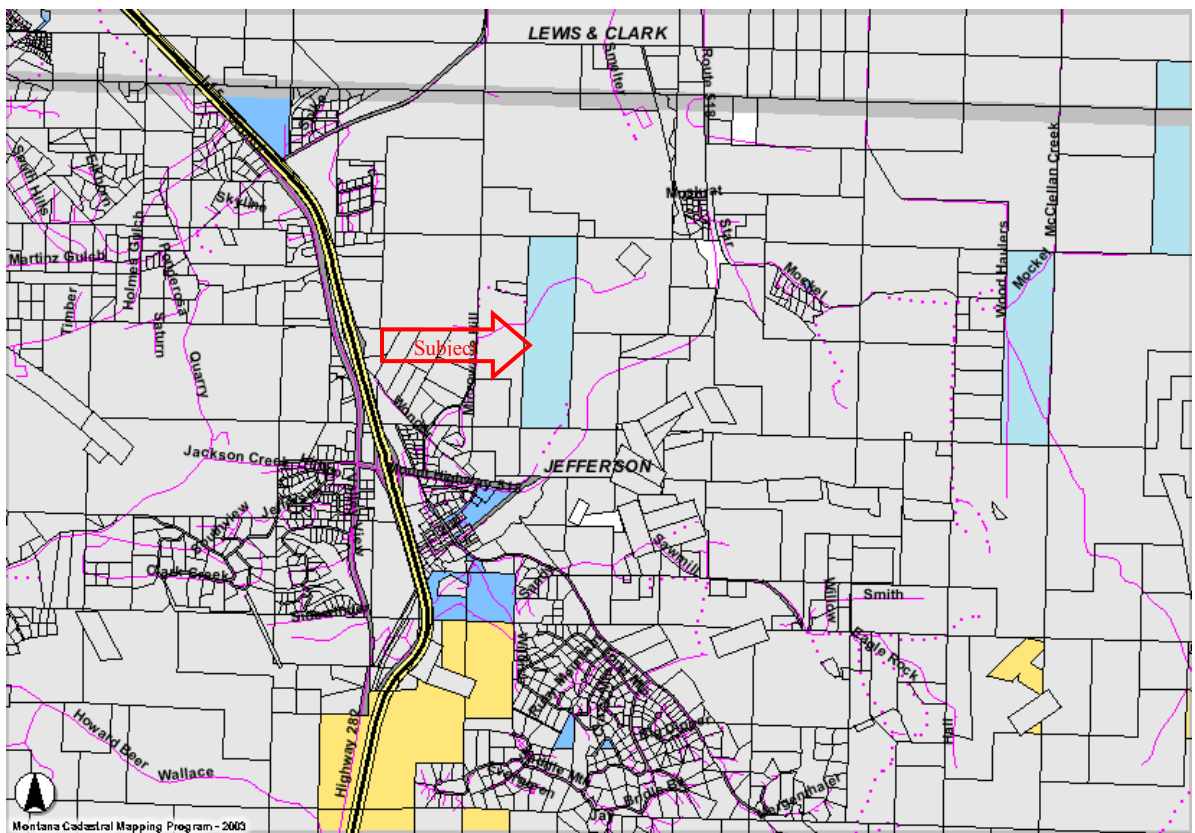
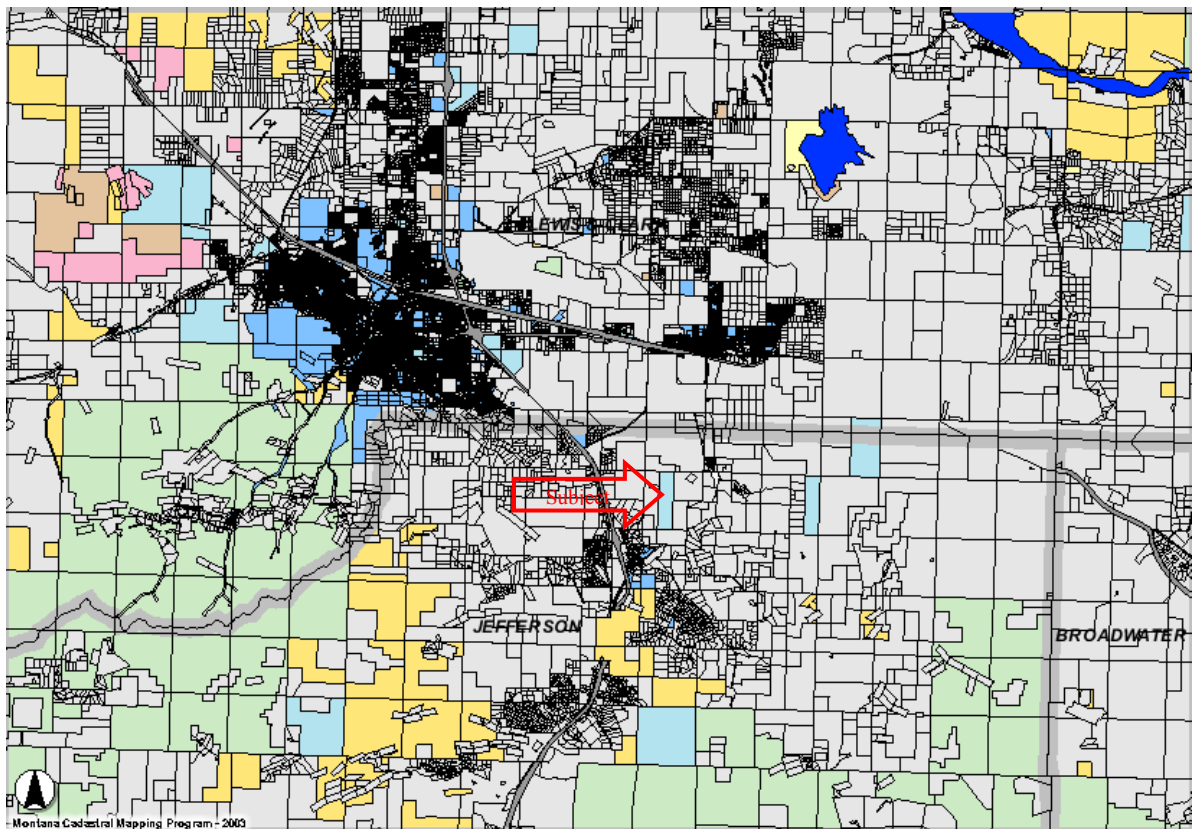
Comparable Sales Adjustment Table

Property Name	Sales Price	Price Per Acre	Conditions of Sale	Location of Property	Date of Sale	Acres	Land Features	Percent Adjusted & Adjusted Price Per Acre
Subject			Conventional	Rural/Suburban	6/15/05	160	Rolling Pasture	
Comp 1	\$885,000	\$2,827	Conventional	Sub/Rural	1/7/05	313	Rolling Pasture	+13% \$3,195
Comp 2	\$1,375,000	\$2,192	Conventional	Urban/Sub	10/16/03	627	Fields	+22% \$2,674
Comp 3	\$226,000	\$4,520	Conventional	Rural/Sub	2/11/05	50	Field	-13% \$3,932
Comp 4	\$1,269,000	\$2,250	Other	Rural/Sub	2/11/05	564	Pasture/Fields	+28% \$2,880
Comp 5	\$1,125,000**	\$3,538	Conventional	Rural/Sub	3/15/05	318	1/2 Wooded	-8% \$3,255
Comp 6	\$350,000	\$3,500	Conventional	Rural/Sub	10/7/03	100	1/2 Wooded	-13% \$3,045
Comp 7	\$260,000***	\$2,989	Conventional	Rural/Sub	10/3/03	87	Steep/Few Trees	+2% \$3,049
Comp 8	\$320,000	\$2,938	Conventional	Rural/Sub	2/13/04	109	Field	+4% \$3,056

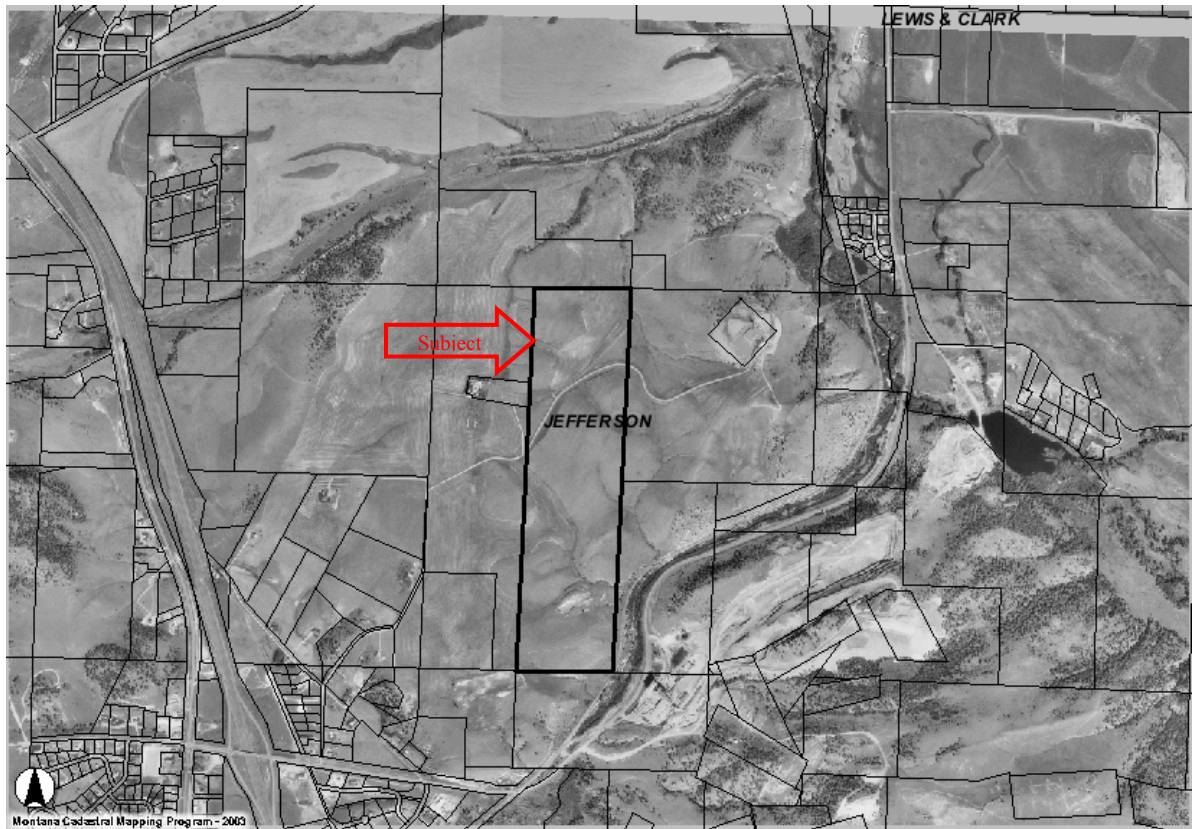
** Comparable Sale No. 5 did have some improvements and the total sale price was \$1,200,000. Per discussion with the Broker, maximum value allotted for improvements would be \$75,000. Thus land was valued at \$1,125,000.

***Comparable Sale No. 7 did have a garage/cabin and the total sale price was \$295,000. Per discussion with the Broker, maximum value allotted for improvements would be \$35,000. Thus land was valued at \$260,000.

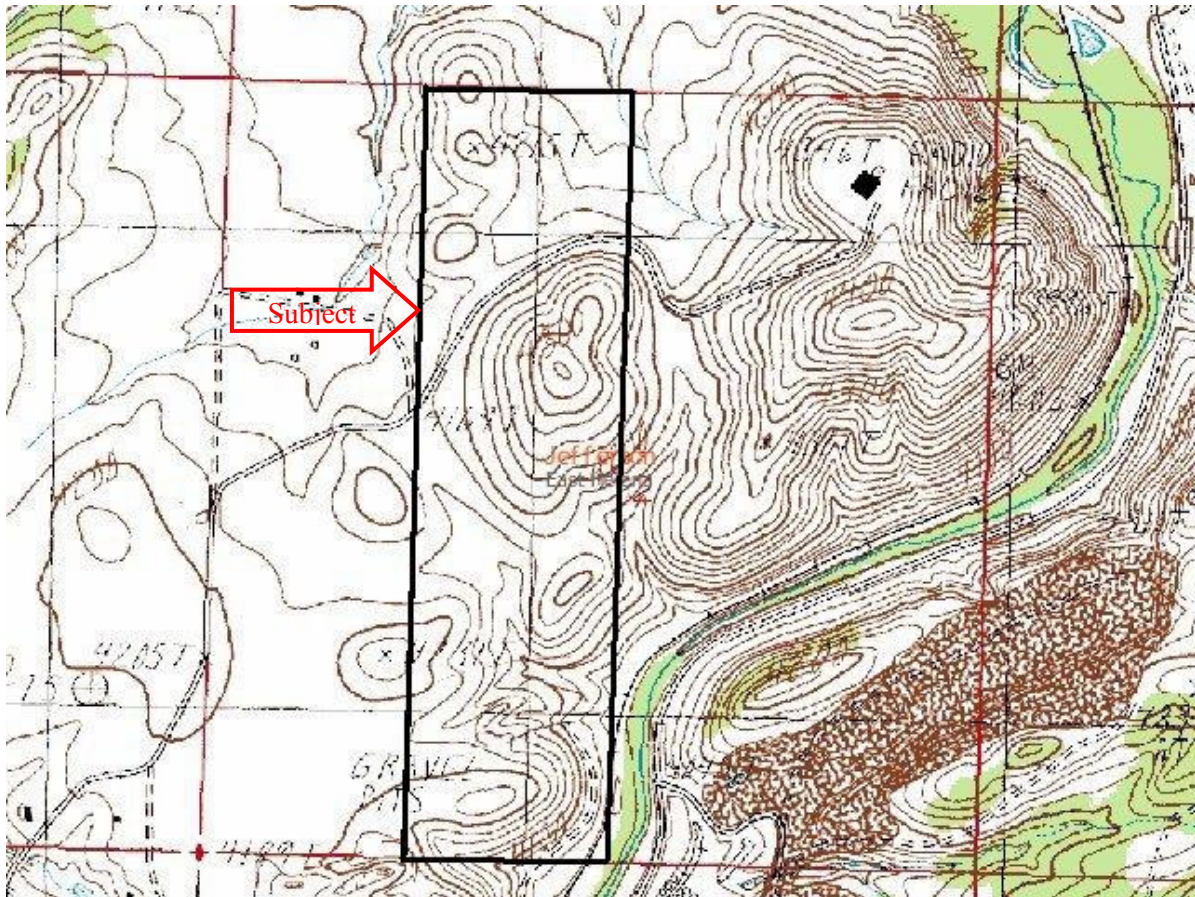
Subject Property General Location Maps



Subject Property Aerial Photos



Subject Property Topography Map



Subject Property Photos



1.) Looking At North End Of Property And Northerly View



2.) Looking At North End Of Property And NW View

Subject Property Photos



3.) Looking At NW Part Of Rise In Middle Of Subject



4.) Looking At SW Part Of Rise In Middle Of Subject

Subject Property Photos



5.) Looking At Southern/Southeastern Part Of Subject Property



6.) Looking At SE Corner Of Subject Property And SE View

Subject Property Photos

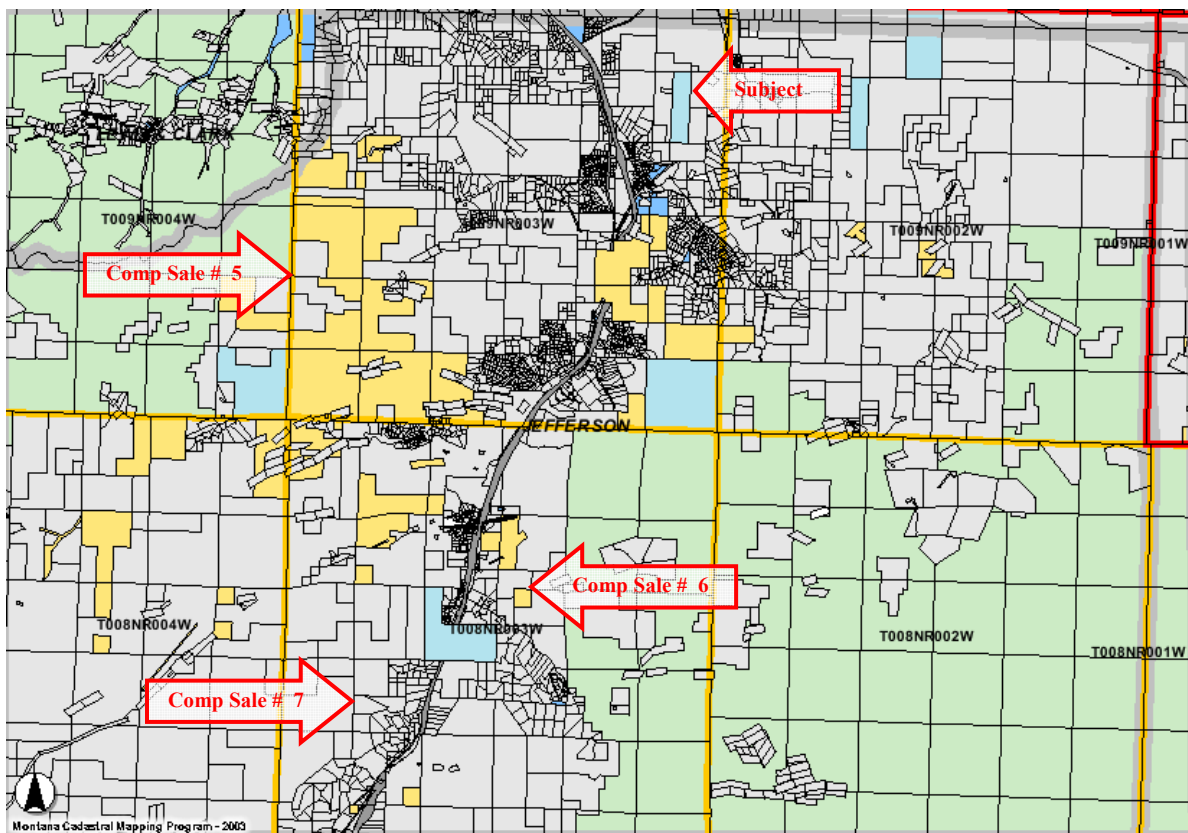
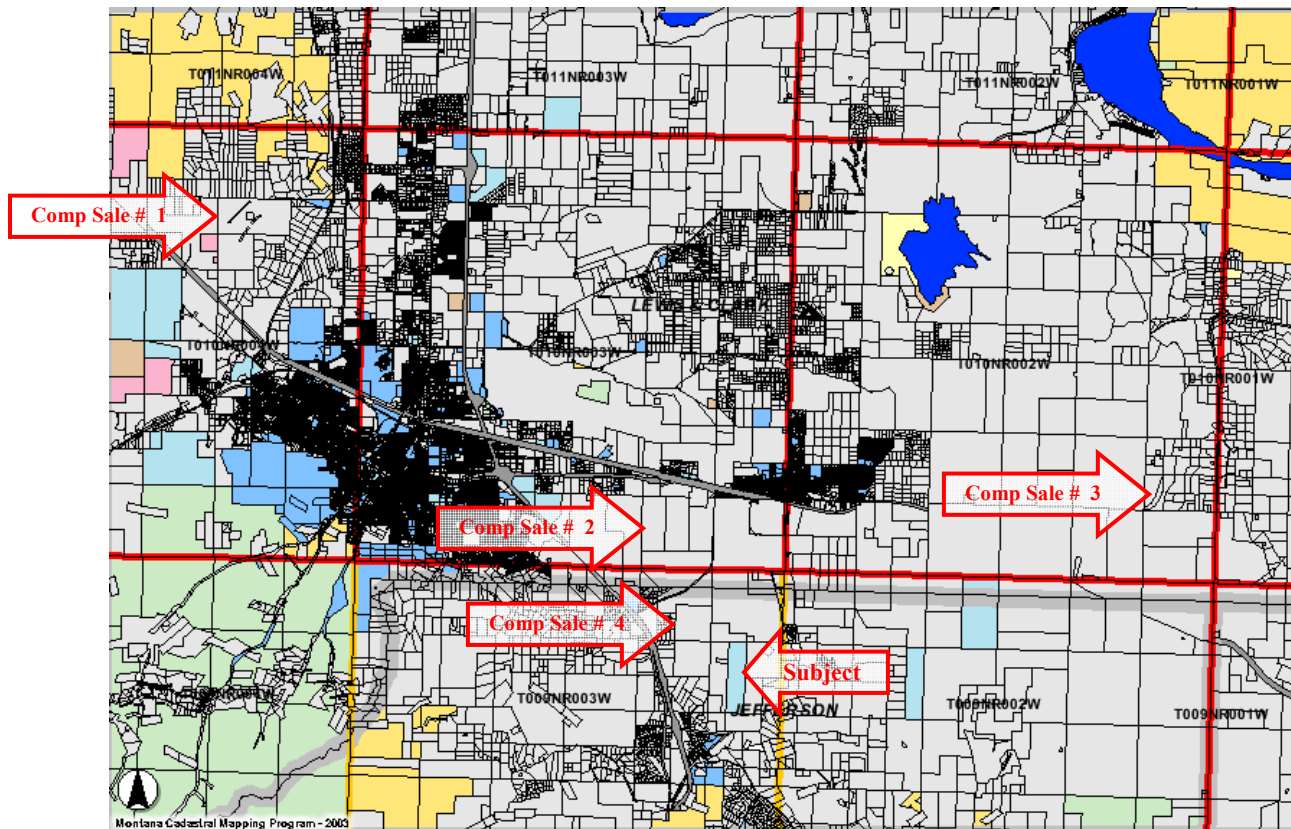


7.) Looking At Rock Quarry Near Southern End Of Subject Property

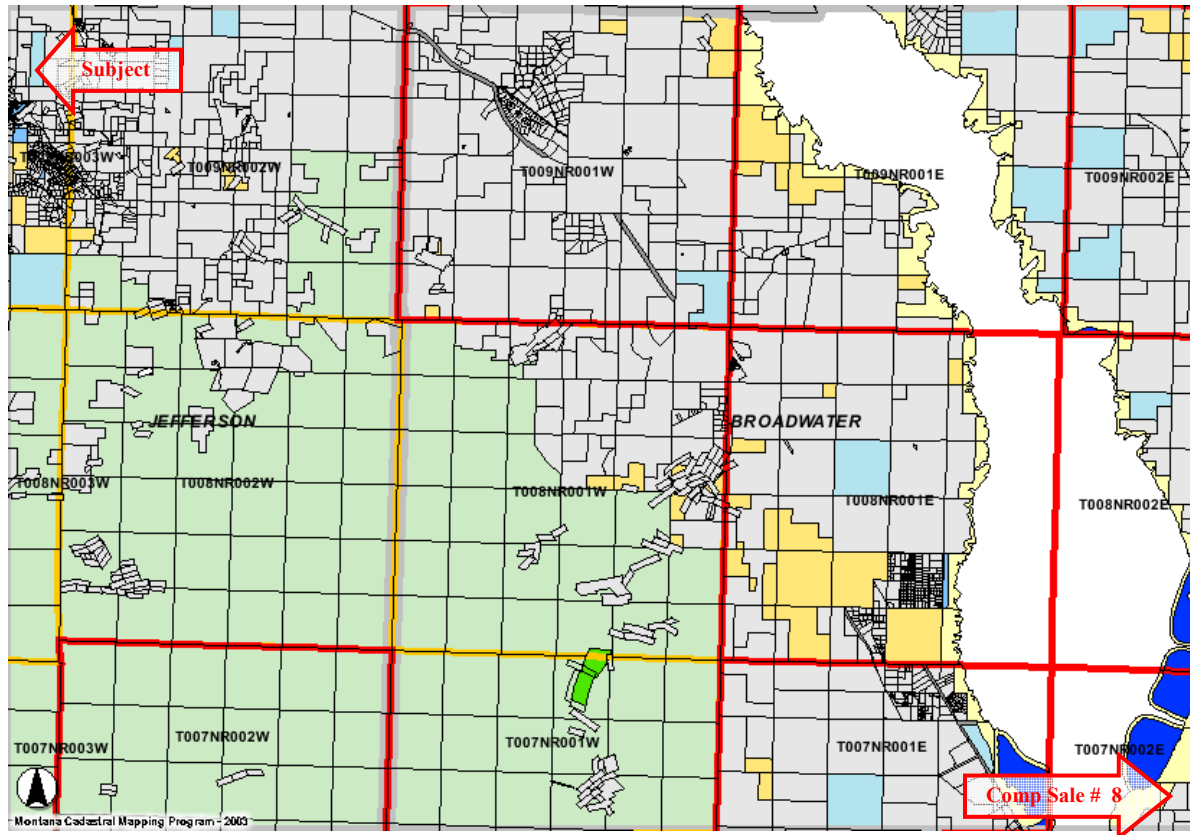


8.) Looking At The Southeastern Slope Of The Rise In The Middle Of The Subject

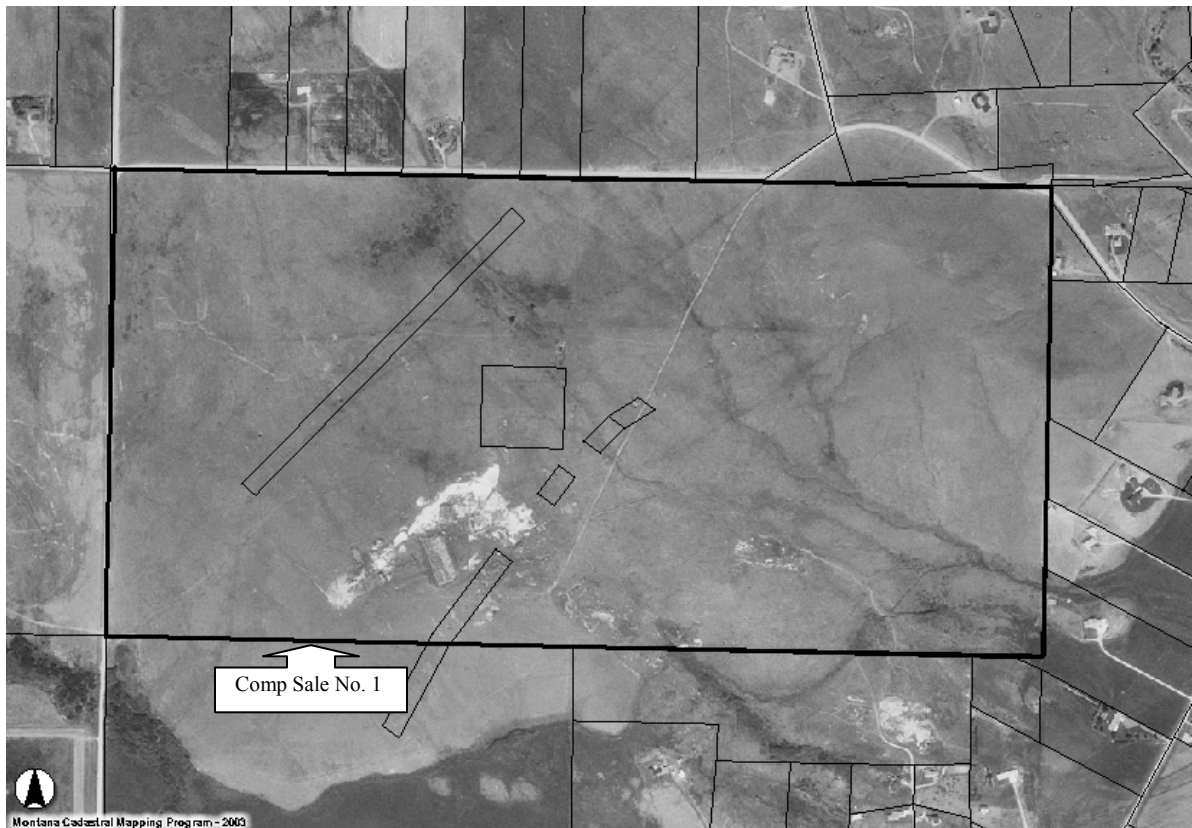
Comparable Sales Northern & Southern Location Maps



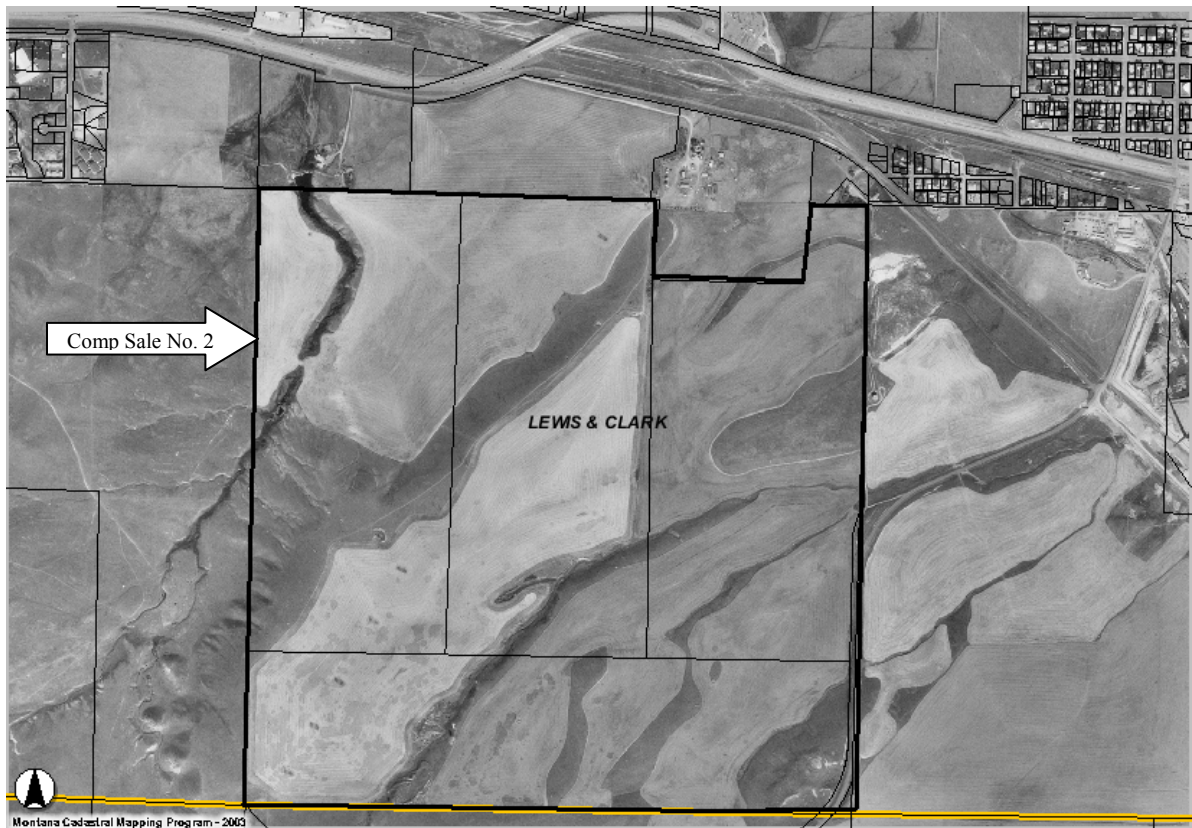
Comparable Sale Southeastern Location Map



Comparable Sale No. 1 Ground and Aerial Photos



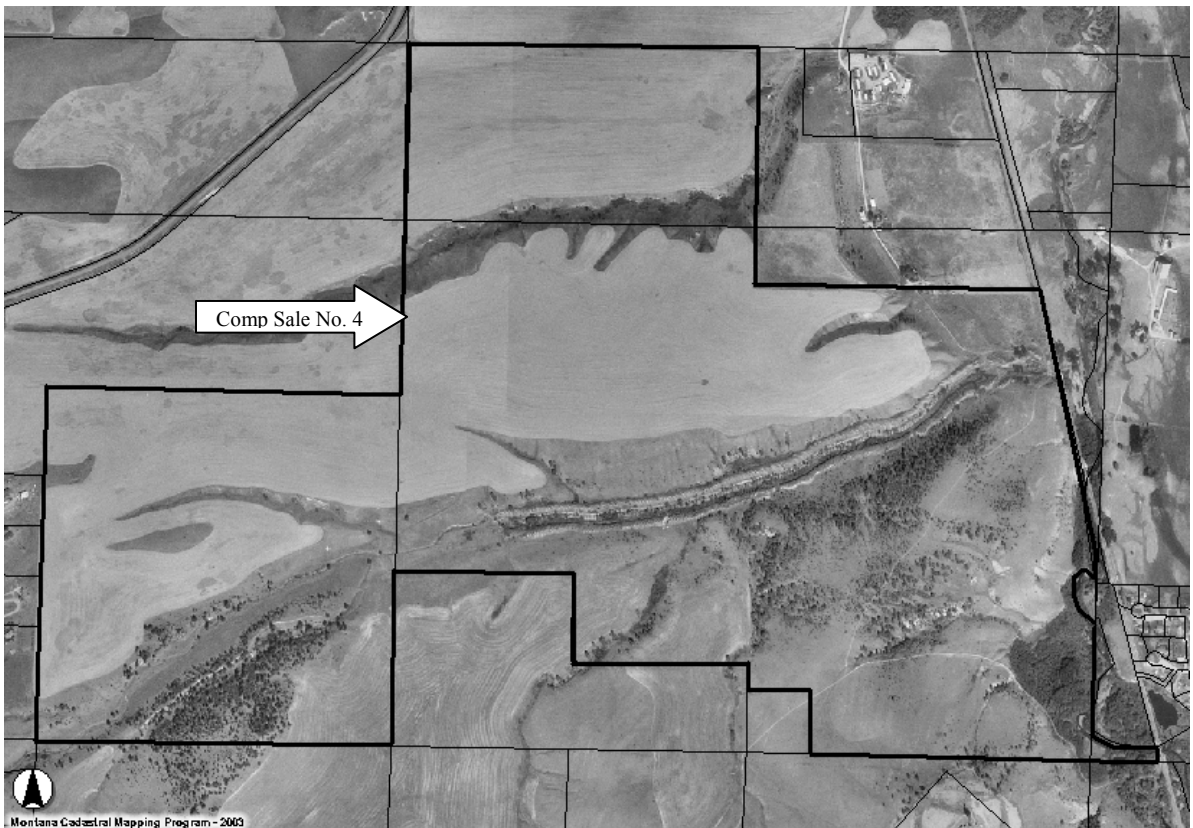
Comparable Sale No. 2 Ground and Aerial Photos



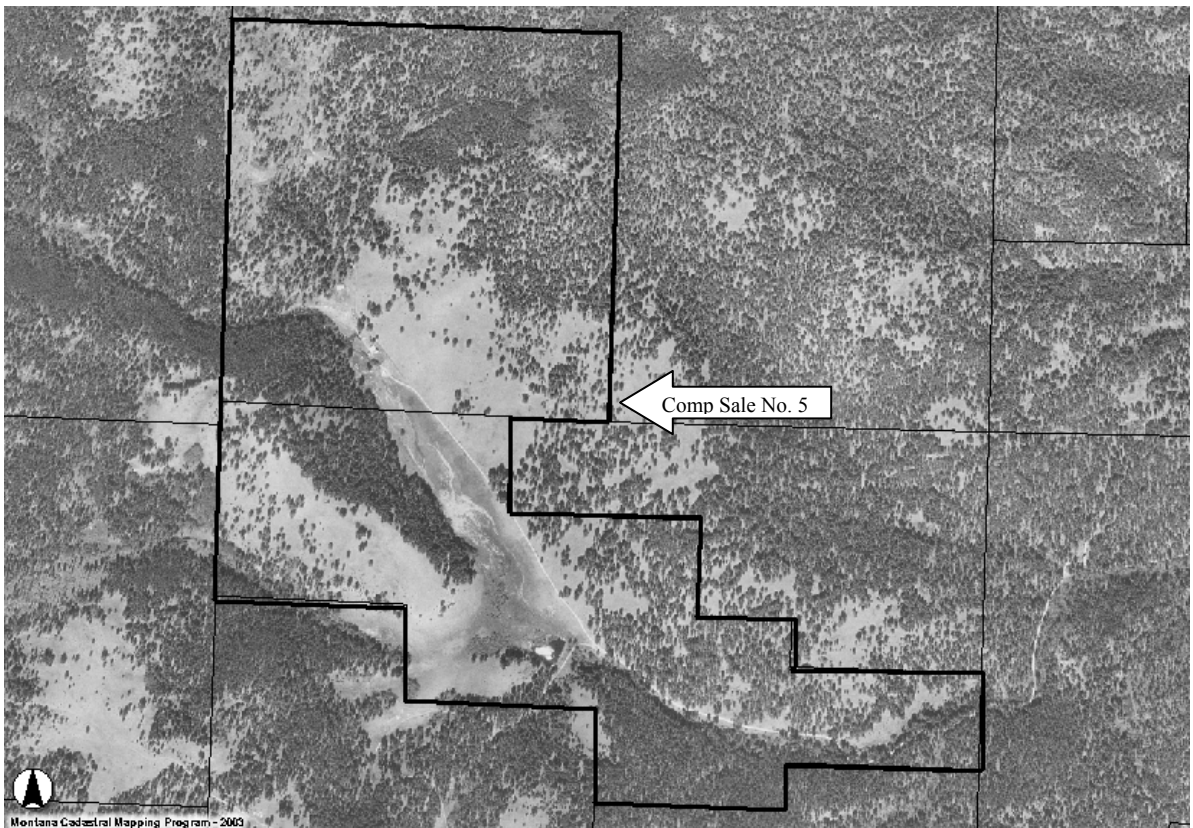
Comparable Sale No. 3 Ground and Aerial Photos



Comparable Sale No. 4 Ground and Aerial Photos



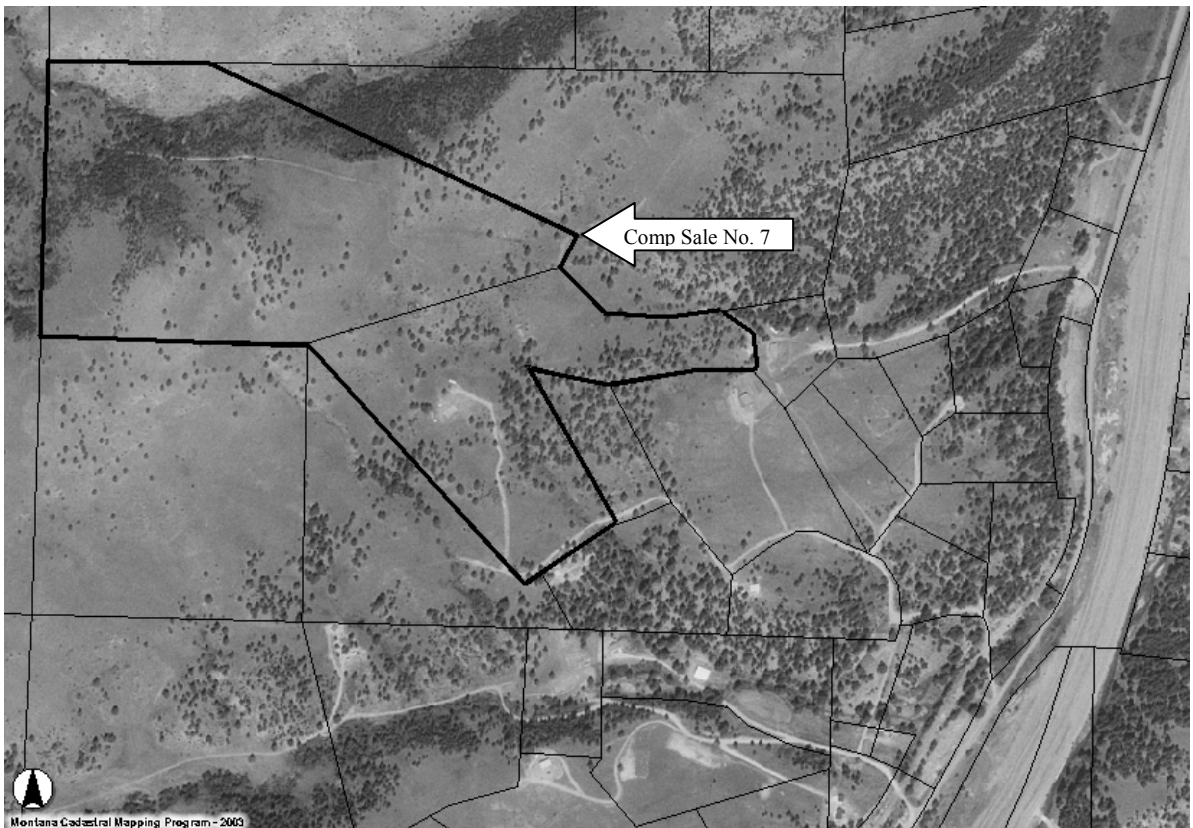
Comparable Sale No. 5 Ground and Aerial Photos



Comparable Sale No. 6 Ground and Aerial Photos



Comparable Sale No. 7 Ground and Aerial Photos



Comparable Sale No. 8 Ground and Aerial Photos



ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as set forth in the report.

1. The appraiser will not be responsible for matters of a legal nature affecting either the property being appraised or the title to it. Except for information that was provided or uncovered during the research involved in performing the appraisal and ordinarily employed by real estate appraisers, no opinion is intended to be expressed for legal matters or that would require specialized knowledge or investigation. The appraiser assumes that the title is good and marketable, ("free and clear"), and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership and/or competent management. Unless otherwise mentioned in this report, the property is appraised as if owned in fee simple title without encumbrances.
2. The appraiser assumes that the legal descriptions furnished are correct and the appraiser has not surveyed the property. Acreage of land types and measurements of improvements are based on physical inspection of the property or information provided unless otherwise noted in the report. Sketches or drawings in this report are included to assist the reader in visualizing the property. They are not to be considered a legal survey or engineer's plan of any kind. Any and all other sketches, drawings, maps, etc., are also provided for informational purposes only and are not for any legal reference. Access has been investigated only to the satisfaction of the appraiser. No assurance of legal access, or lack of, is expressed or implied as a legal opinion. The same is true of encroachment and trespass issues.
3. The appraiser has noted in the appraisal report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, floodplains, etc), observed during the routine inspection of the subject property, and/or adjacent properties, or that was discovered during the normal research involved in performing the appraisal. Unless otherwise stated in this report, the appraiser has no knowledge of any hidden or unapparent conditions of the property, and/or adjacent properties, or adverse environmental conditions, (including, but not limited to, the presence of hazardous wastes, toxic substances, etc), that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property. Concerns about soil conditions, actual condition of improvements or systems, or property conformity to zoning, building, fire, ADA, and other such applicable laws, regulations, rules and codes, should all be referred to the proper experts.

4. The appraiser is not an expert in minerals, mineral rights, timber, timber volumes, crops, farm programs or water requirements and rights. Unless otherwise noted, only surface rights will be appraised with no value specifically allotted to the mineral rights or deposits. Timber values, if considered a part of the report, will rely on proper experts, as will farm programs. Typically, growing crops are not considered in the appraisal report. Usually it is assumed the water rights have been secured or perfected, with their value generally considered an inherent part of the land value, with any deviation from this to be included in the report. Rental and lease agreements, conservation plans, options and other situations may also require reliance on proper experts.
5. The appraiser has obtained information, opinions, estimates, surveys, plans, maps and information on regulations, restrictions and studies, etc., from various sources including the property owner, agent, or manager, as well as from real estate professionals, government agencies, appraisers and other sources. Unless otherwise noted, the sources are considered reliable and the information is complete and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
6. The appraiser assumes no responsibility or liability for future conditions, about which information was not supplied or readily available or was not public knowledge at the time the appraisal is made, nor for the effect of events, which might concern the value of the subject property subsequent to date of appraisal. Montana is a non-disclosure state and as such sales prices of real estate are not publicly recorded. Therefore, with few consolidated sources of sales information existing, and no obligation to release or verify information by many of the parties associated with the transactions, this appraiser may not know of sales of comparable properties, and absolute verification of comparable sales may not be possible.
7. If the Departure Rule is invoked, then it will be noted in the report. All extraordinary assumptions and hypothetical conditions, including, but not limited to, satisfactory completion and repairs or alterations, will be noted in the appraisal report. It is assumed there will be consistency with all the plans, estimates, specifications, planned work, projections, or requirements, initially provided. Deviation from those items may affect the value reported. Great effort has been taken to eliminate all error in identifying, developing and processing the report. However, if errors or omissions are found, they will have to be reviewed to see if they will affect the opinion of value reported.
8. The appraiser will not disclose the contents of this appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state, or local laws, rules or regulations. The appraiser is not obligated to/by any unauthorized use of this report by third parties or the “extraction” of only parts of the report and attempting to apply those parts in any other process or to reach a conclusion.
9. It is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the report is signed.

APPRAISER'S CERTIFICATION: This appraiser certifies and agrees that:

1. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
2. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or develop or present any analysis, opinions or conclusions supporting) a predetermined specific value, a predetermined minimum or maximum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific event or action, or the subsequent event directly related to the use of this appraisal report.
3. I have taken into consideration the factors that have an impact on value in the development of my opinion of market value for the subject property. I have noted in the appraisal report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous materials, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing the appraisal. I have considered these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them, and have commented about the effect of the conditions on the marketability of the subject property.
4. I have not knowingly withheld any significant information from the appraisal report that would have an impact on value and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct. I have stated in this appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the limiting conditions specified in this appraisal report.
5. I have preformed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice. I have personally analyzed and prepared all the conclusions and opinions about the real estate that are set forth in this appraisal report. If I have relied on significant real property appraisal assistance from any individual(s) in the performance of the appraisal or preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks preformed in the appraisal report. I certify that any individual(s) so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the appraisal report; therefore, any change made to the appraisal is unauthorized and I take no responsibility for it.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: July 14, 2005